Medicaid Reform Advisory Council
Minority Report
Ron Ross, State Treasurer

The Nebraska Medicaid Reform Plan, dated December 1, 2005, by Richard Nelson, Director, Department of Health and Human Services Finance and Support and by Jeffery Santema, General Counsel, Health and Human Services Committee of the Legislature of the State of Nebraska was extensive and informative. As one member of the Medicaid Reform Advisory Council, I am in agreement with many of their recommendations, however; I take exception to and I will clarify my opinion in the paragraphs that follow. Please refer to this reform plan as I make reference to tables and pages.

Nebraska has an obligation to its citizens for both helping provide access to health services for low-income individuals and being tax conscience when meeting these needs. We have come to a crossroad where our elected officials will need to balance these two priorities with our other essential services, e.g. K-12, higher education, law enforcement and criminal justice, social programs, highway safety, environmental quality, etc.

Medicaid is a complex program but currently the formula for expenditures is constant; there are three drivers: 1) who is eligible, 2) the service and it's frequency to be provided, and 3) the rate at which the service is paid. During the last five years, Nebraska's Medicaid expenditures have increased by over 48%. To continue down this path we will have to either reduce spending in other essential services significantly or be prepared to raise taxes dramatically. Either option is unacceptable to most Nebraskans. We are going to have to face some difficult choices and the sooner we act the better our chances will be at heading off a catastrophe. By the reports own figures (page 20), the recommended cuts will still cause Medicaid expenditures to consume 23.2% of the general fund in 2015.

Recommendation 1.0a:

I am in total agreement, but it is worthy to bring to the attention of the reader that this statement of public policy is critical. We will be judged in the courts by what our policy states, and the people, through their elected legislature have the right to set the policy.

The Legislature will need to be mindful of the legal tactics opponents of reform will use.

Recommendation 1.2a:

Eligibility standards need to be addressed. Medicaid expenditures start with “who is eligible” by how eligibility is determined. If the legislature had a 4% growth cap on Medicaid expenditures (with compounding) this would equate to a 21.7% increase in five years. (With this growth rate we could probably manage but we must be prepared to address eligibility requirements.)

The Nebraska Legislature needs to change the residency requirements. We virtually have an “open door” policy. It is one thing for our policy to take care of Nebraskans as they age, become disabled, or fall on hard times. It is quite another policy to allow people from other states to come to Nebraska for their tax covered health care without needing to be here for a specified time, say six months.

During the past five years there has been an overall increase in eligibles by 9.8%, however, a closer look shows the increase in eligibles by the different population groups, see table 3 page 11. In particular, I would focus on the population group of “Adults with Disabilities” that has had an increase of 16.8% of eligibles with a 57.4% increase in expenditures.

Recommendation 1.5b:

The Advisory Council, including myself, made our recommendation 200% of the FPL. I would like to draw attention to the strategy requiring the Legislature to amend the state ward statutes to imposition of a sliding income scale premium, see page 27. This is a good policy recommendation.

Recommendation 3.0c:

The legislature should review the policy regarding the HCBS waiver. Currently the waiver makes reference to the average expenditure per individual. There should be a public policy debate regarding the average versus a maximum amount of expenditure per individual. I do not believe that we should say average, there should be a cap based on a reasonable formula. To spend hundreds of thousands of dollars more on an individual in the community rather than in a facility, in my opinion, is not a good use of tax dollars.

Recommendation 4.1a:

I am opposed to an expansion of covered services.

Recommendation 5.0c:

The report makes a statement on page 16: "Medicaid is imposing unrealistic demands on State Government and has created unrealistic expectations. It has undermined the willingness of those who are able to save for and provide for their own health care and long-term care needs."

So the question begs to be asked, "Why should I save for my long-term care needs if the government is going to take care of me anyway on Medicaid?"

We have payroll deductions for Social Security and Medicare. Where would we be as a country if we did not have these programs funded? When Medicaid first started in the mid 1960's it was a small part of the nation and the state's budget. It has grown to be the 800 lb. gorilla. We need to have a payroll deduction to fund Medicaid.

The key to this funding mechanism will be to make sure that income taxes are reduced at the same time and the payroll deduction is only used for Medicaid. Otherwise, new "needs" will surface and we just taxed ourselves more!

Advisory Council Recommendation:

I am opposed to Medicaid extending to a family planning waiver if abortion is considered an alternative.

As the Legislature addresses Medicaid there will be many competing forces, but I fear if we do not rein in this "run-away train" the people will pass a constitutional amendment on the growth of state spending.